



May 17, 2006

The Honorable Arnold Schwarzenegger
Governor, State of California &
Honorable Members of the California Legislature

According to Section 20238 of the California Public Employees Retirement Law, commencing on January 1, 1987, the CalPERS board is required to report on the number of new state retirees, by individual state employer that are processed in the immediately preceding fiscal year to the service, disability, and industrial disability retirement rolls, and the incurred cost of the system for the state members for the immediately preceding three fiscal years.

As a result of the Nolan case (Nolan v. the City of Anaheim; effective September 1, 2004), the California Supreme Court concluded that to qualify for a disability retirement, a member must show substantial incapacity to perform the usual duties of the position for his/her current employer and from performing the usual duties of the position for other California public agencies in CalPERS.

As a result of the California Supreme court decision, processing of all pending and new cases slowed to a minimum as new procedures were created, approved and implemented. This created a substantial backlog that significantly impacted the data needed for producing the 2004/2005 State Industrial Disability Cost Report.

Due to insufficient industrial disability retiree data, producing a report for the 2004/2005 fiscal year could be misleading to readers of the report and so would be inappropriate. The data extracted for this report is an annual process that delivers all data to the Actuarial Office of CalPERS for rate setting and other purposes. CalPERS has a plan in place to eliminate the backlog in processing disability retirement applications by June 30, 2006, which coincidentally is the next scheduled date for data extraction and delivery to the Actuarial Office. Attempts to extract the data just for purposes of producing an IDR report earlier than the next scheduled extraction date would be cost prohibitive.

Therefore, the CalPERS Board decided to postpone production of the IDR report for the 2004/2005 fiscal year. A comprehensive report will be produced for the fiscal years 2004/2005 and 2005/2006 for the board in 2007.

We would be happy to discuss these matters in more detail if you wish. Please contact Ron Seeling, Chief Actuary, at 916-795-4177 if you have any questions or comments.

Respectfully,

Rob Feckner, President
CalPERS Board of Administration